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United Nations

Committee for Development Policy

Report on the fourteenth session (12-16 March 2012)

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Summary

The present report contains the main findings and recommendations of the Committee for Development Policy at its fourteenth session. The Committee addressed the following themes: productive capacity and employment; the international development strategy beyond 2015; the triennial review of the list of least developed countries (including monitoring of the development progress of Equatorial Guinea and Samoa); and strengthening the process of smooth transition of countries graduating from the category of least developed countries.

In its analysis of the theme of the 2012 annual ministerial review ("Promoting productive capacity, employment and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving the Millennium Development Goals"), the Committee noted that employment had become a major global concern in view of persistent underemployment and increased unemployment in many parts of the world. It also noted that women continued to face adverse conditions in employment, while youth were particularly hard hit by the recent global economic crisis.

The Committee noted that the employment situation varied according to a country's level of development. In general, however, macroeconomic policies should be reoriented towards reducing output volatility and promoting growth through the introduction of countercyclical measures, as well as by prudent regulation and financial reform. The Committee offered guiding principles in the selection of the type of productive employment-generating activities to be publicly supported. The Committee stressed the importance for job creation of strengthening the role of small and medium-sized enterprises in the economy. The Committee also emphasized the role public employment programmes could play in offering temporary relief for workers affected by unemployment. Moreover, international cooperation and coordination, including regional arrangements, were required for both macroeconomic and proactive structural transformation policies, not only in manufacturing but also in agriculture and services.

The Committee considered the main principles for the development agenda beyond 2015. It made suggestions on the general contours of strategies to address current and emerging challenges. Despite some flaws, the Millennium Development Goal strategy has had important achievements, representing a global commitment to poverty reduction and development, and this commitment must be continued after 2015. However, a simple extension of the Millennium Development Goals will not suffice. New challenges have emerged, such as climate change and the food security crisis, while older challenges have not been adequately addressed, such as persistent inequalities across and within countries. The new development framework should incorporate the core principles articulated in the Millennium Declaration, including solidarity, respect for the environment and the expansion of people's freedoms in a sustainable, durable and equitable way. Those principles, however, have not been fully reflected or adequately incorporated in the Millennium Development Goals. Moreover, the formulation and implementation of the global development agenda must accord with the fundamental principle of inclusive participation. The global development agenda should be applicable to all countries and not limited to developing countries. In pursuing these essential principles, there is an urgent need to identify appropriate development strategies, including key elements of policies

that should promote dynamic transformation while being adapted to country-specific contexts. Goals should be accompanied by conditions to help achieve them.

The Committee conducted the triennial review of the list of least developed countries. Accordingly, it recommends South Sudan for inclusion in the list, subject to the country's agreement. Tuvalu and Vanuatu are found eligible for the third consecutive time and are recommended for graduation from the list. Angola and Kiribati meet the eligibility criteria for graduation for the first time and will be considered for graduation in the next triennial review, in 2015. The Committee noted the sustained positive development progress of the graduated countries, Cape Verde and Maldives, as well as of Samoa, which is scheduled for graduation in January 2014, and Equatorial Guinea, the graduation of which was endorsed by the Council in 2009 but has not yet been taken note of by the General Assembly. In that regard, the Committee reiterated its concern that the continuing lack of action by the Assembly was prejudicial to the category.

Lastly, the Committee reviewed the existing smooth transition mechanisms as specified in General Assembly resolution 59/209. It argued that it was necessary to further clarify what support would be provided by development partners after graduation and to adjust that support to the development situation of the graduated country. It suggested actions to strengthen the process of preparing for graduation from the category, including giving greater clarity as to what part of the support countries already receive is specific to least developed countries. The proposals also include improved procedures for phasing out the support measures. The Committee cautioned against the binary application of support (i.e., it is available if a country is a least developed country but not upon graduation). In this regard, it suggests that donors consider the use of least developed country criteria (in particular the economic vulnerability index) in guiding their aid allocations. It also recommends consideration of the establishment of insurance mechanisms against adverse external shocks for countries graduating from the category.

[9 April 2012]

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Chapter I

Matters calling for action by the Economic and Social Council or brought to its attention

A. Matters calling for action by the Council

International development strategy beyond 2015

1. The Committee for Development Policy considered how the United Nations development agenda should proceed beyond 2015. The implementation of the vision expressed in the United Nations Millennium Declaration (see General Assembly resolution 55/2) should continue and be expanded. A renewed commitment to fully adhere to the main principles of the Declaration is needed, including the objective of multidimensional poverty reduction in the context of a development process that is sustainable and equitable and supports people's security. Those principles need to be fully incorporated into the development goals, and new development challenges need to be taken into account. Establishing development goals for the period beyond 2015 requires a participatory approach. Accordingly, the Committee recommended that the Council consider initiating a process of policy dialogue with Governments and relevant stakeholders to discuss how goals can be defined and to identify possible policy instruments to facilitate their implementation to the benefit of all.

Triennial review of the list of least developed countries

2. The Committee recommended to the Economic and Social Council that it consider the inclusion of South Sudan in the list of least developed countries (subject to the Government's acceptance).

3. The Committee recommended to the Economic and Social Council that Vanuatu be graduated from the list of least developed countries.

4. The Committee recommended to the Economic and Social Council that Tuvalu be graduated from the list of least developed countries.

5. In line with General Assembly resolution 59/209, the Committee further advised the Council to reiterate the importance for development partners of implementing concrete measures in support of the transition strategy to adjust to the phasing out of the advantages associated with membership in the list of least developed countries.

Strengthening the process of smooth transition from the least developed country category

6. The Committee reviewed the experience of countries that have graduated from the least developed country category and offered a number of suggestions for enhancing and strengthening the provisions of resolution 59/209. It recommends that the Council transmit those proposals to the ad hoc working group established by the General Assembly to further study and strengthen the process of smooth transition of countries graduating from the least developed country category to be considered as an input to the report of the Group to the Assembly at its sixty-seventh session.

B. Matters brought to the attention of the Council

Promoting productive capacity and employment in a globally responsible environment

7. In reaching the conclusions on the theme of its 2012 high-level segment, the Council may wish to take into account the analysis and recommendations contained in chapter II of the present report, in particular those related to the adoption of sectoral and macroeconomic policies for the promotion of productive capacity and employment. Supporting the development of small and medium-sized enterprises is considered particularly important. Attention is also called to the role public employment programmes can play in offering temporary relief for workers affected by unemployment.

Triennial review of the list of least developed countries

8. The Committee found that Angola and Kiribati fulfilled the criteria for graduation for the first time. They will be considered for graduation at the triennial review in 2015. The Committee requested the United Nations Conference on Trade and Development (UNCTAD) to prepare vulnerability profiles and the Department for Economic and Social Affairs to conduct ex ante impact assessments for these countries for the next triennial review.

Monitoring the development progress of graduating countries

9. The Committee reviewed the development progress of Equatorial Guinea and Samoa, both of which continued to evolve. The Committee reiterated its concern that prolonged inaction by the General Assembly on the graduation of Equatorial Guinea was prejudicial to the credibility of the least developed country category.

Monitoring the development progress of graduated countries

10. The Committee reviewed the development progress of the graduated countries (Cape Verde and Maldives) and noted that both have made satisfactory progress since the previous review. Both countries, however, continue to require support to complement their efforts in promoting the structural transformation of their economies and sustaining their development progress.

Chapter II
Promoting productive capacity and employment in a globally responsible environment

A. Introduction

11. The generation of productive employment is a critical factor for self-respect and poverty reduction as well as increased production. Employment has emerged as a major global concern, especially following the financial crisis of 2008 and despite progress in poverty reduction in many parts of the world.

12. The employment situation varies according to the stage of development of countries. In many poor economies, a large share of the working population is in agriculture and in vulnerable employment, while manufacturing and modern services form a larger proportion of the total in most higher-income economies. In general, women face adverse conditions in employment, and correcting this needs to be an intrinsic part of any employment promotion strategy.

13. The policy environment at the macro level has a major influence on growth, while sectoral policies can shape both the rate and pattern of growth in employment-friendly directions. Sectoral policies are needed for effective job creation and the promotion of a dynamic structural transformation of the economy, which must also be compatible with environmental sustainability, including consideration of the impact of climate change. In addition, public employment programmes can play an important role in complementing those policies. They generate more immediate results than macro and sectoral policies and provide income and a productive safety net for the working poor and those affected by adverse economic shocks.

B. Current employment situation

14. Recent trends indicate a deceleration of the speed at which global employment has been improving. The number of people unemployed in the developing world stood at 150 million in 2010, as compared with 141 million in 2007. The Committee notes that in many developing countries, particularly the poorer economies, open unemployment is not indicative of the magnitude of employment problems, which include significant and pervasive underemployment. At the global level, the ratio of employment to working-age population declined somewhat, from 61.2 per cent in 2007 to 60.3 per cent in 2011, suggesting a diminishing capacity of the world economy to generate employment opportunities.

15. While some people are employed in the modern sector and generally enjoy good labour conditions (i.e., "decent work"), others face restricted livelihood choices. Some, often those lacking qualifications and skills, are self-employed or engaged in low-productivity small-scale enterprises, while others work as casual labourers. Workers in this category are described as being in "vulnerable employment" and often lack formal social protection. In 2011, some 1.5 billion people were engaged in vulnerable employment.

16. Gender imbalances are to be found in every sector of most economies. In all regions, the employment-to-population ratio for females was lower than for males.

Women are overrepresented in agriculture in many developing countries, particularly in Africa and Asia.

17. Young people (aged 15-24) have been hit hardest by the crisis. The youth unemployment rate was almost three times as high as the corresponding rate for adults in 2011 and, even when employed, a large number of youth were engaged in vulnerable employment. High youth unemployment tends to have significant societal implications, as it affects long-term economic growth by reducing individual skill acquisition and lifetime earning capacity, while also tending to undermine social cohesion.

C. Macroeconomic instability and slow employment generation

18. Persistent unemployment and underemployment are due largely to slow growth of output and low employment intensity of growth. Thus, in order to generate more employment, there is need to accelerate and sustain output growth and to ensure that economic activities underpinning such growth are sufficiently employment intensive. In addition, in countries with a very large number of workers in agriculture and the informal sector, policies need to focus on improving conditions in those sectors (including raising productivity and investment).

19. A factor contributing to the employment problem in recent years has been the volatile macroeconomic performance of the developed economies associated with the financial crisis and related macroeconomic responses, which have involved lower import demand from those economies. Moreover, persistent large external imbalances remain a concern because of the threats they pose for sustainability and global exchange rate stability.

20. Most countries have suffered a slowdown in the process of structural transformation that is needed to accelerate job creation. The slowdown is due largely to the currently dominant macroeconomic policy framework, which stresses the importance of maintaining low inflation and containing budget deficits while paying limited attention to growth, employment, productive investment and the composition of output. In fact, the resulting policies have been associated with stagnant investment, and many economies have experienced gaps between demand and the existing productive capacity. This in turn discourages future investment and employment growth. The problem is compounded by persistent volatility in aggregate demand.

21. Prior to the 1990s, growth volatility, particularly in middle-income countries, was due to fiscal deficits and terms-of-trade shocks. More recently, volatility caused by periodic crises in the financial sector associated with trends in foreign capital flows have gained greater prominence and have compounded trade shocks. With the liberalization of the capital account, financial flows have become more unstable and highly procyclical: inflows of external capital increase as domestic aggregate demand grows and contributes to currency appreciation, which encourages further financial inflows. Large external liabilities emerge, often leading to sudden and significant reversals of capital flows. Reversals tend to magnify the volatility in aggregate demand and discourage investment, thereby seriously affecting long-term growth.

22. Besides prudential financial regulation, macroeconomic policy for employment creation requires a mix of countercyclical policies and a proactive strategy to diversify production. Countercyclical policies are necessary to withstand the adverse impact of abrupt swings of capital flows. Yet, the current reliance on international financial markets has constrained the fiscal space of countries, limiting the adoption of countercyclical policies.

D. Innovations for structural transformation

1. Effective approaches to sectoral policies

23. One of the major problems in the creation of productive capacity and employment is the identification of the types of goods and services that could be produced profitably. Most Governments see their role in this respect as one of building on existing knowledge in the economy by encouraging diversification and providing a development-friendly, stable macroeconomic environment, as well as building up and maintaining appropriate infrastructure. In this regard, it is important to develop public-private institutional arrangements — or other organizational innovations at the national level — in which information on profitable and productive activities as well as useful interventions can be elicited. A main objective of such a joint arrangement would be to identify the obstacles that prevent current activities from expanding and new ones from emerging. Assistance is desirable to encourage venture capital, promote coordination and clustering among the producers and facilitate their access to markets. The integration of such activities with local production and the rest of the economy is also an objective, so as to generate development at the national level beyond a narrow enclave isolated from the domestic economy.

24. The potential of an industry as a long-term generator of jobs lies mostly with knowledge of that industry and its evolving technology and markets. Choosing which types of industries or activities are likely to succeed is a complex task and requires some specific procedures to assist in reducing errors.

25. One way of reducing mistakes is by setting performance standards and making government support conditional on performance. Standards should be clearly set and easy to monitor. Moreover, the prospects for the success of a nascent industry or activity in developing countries are increasingly enhanced by the mobilization of skills from abroad, including through reverse brain drain or circular migration. Thus, industries or services should have complementary support from persons with experience abroad who have been exposed to emerging technologies and processes and are able to apply and/or adapt that experience to national contexts. The role of returning nationals is particularly important here, as illustrated by the development of a service-based information and communications technology sector in India. Lastly, without neglecting traditional local knowledge, most ideas for possible new industries must be sourced globally. Before a country commits itself to promoting a new industry, it must verify the status the industry has in the rest of the world, assess its technological evolution, study its often global value chain, including whether it is located in markets that show growth potential, and determine the extent of existing and potential competition.

2. Role of small and medium-sized enterprises

26. Small and medium-sized enterprises make a much larger contribution to employment creation than large-scale enterprises. They often have significant linkages — which need to be encouraged — with the agricultural and service sectors, as well as with large-scale industry. Accordingly, Governments should consider supporting small and medium-sized firms that are appropriate for local conditions, such as those processing raw materials and carrying out labour-intensive production and service outsourcing processes. In this regard, facilitating access to finance and providing credit for small and medium-sized enterprises play a role in supporting the emergence of new enterprises and sustaining operations.

3. Additional considerations for job creation

27. Microentrepreneurs, too, need support to remain in business, increase productivity and grow. Microfinancing can potentially assist such entrepreneurs in upgrading family enterprises beyond the subsistence level. Moreover, the provision of basic infrastructure needs to be enhanced in many developing countries, but especially in low-income countries where the deficiencies are considerable. International cooperation can play an important role by providing much-needed financial resources. In addition, there is a need to improve the business environment by establishing and implementing predictable policies. For instance, reducing bureaucratic procedures can lower transaction costs, increase competitiveness and encourage businesses to operate in the formal economy.

28. Furthermore, upgrading the skills of the labour force is of critical importance. Despite the expansion of formal education, there is often a major deficiency in appropriate skills (see E/2011/33, chap. II). Skills training — through public-private sector arrangements, apprenticeships and school-firm links — needs to match the requirements of the sectors that offer the greatest potential for employment-generating growth.

4. Importance of a dynamic transformation in agriculture

29. A large share of the population of many countries in Asia and Africa remains in agriculture, even if the share of agriculture in gross domestic product (GDP) has declined substantially. Some 80 per cent of the world's poor live in rural areas, trapped in low-productivity agricultural livelihoods. Most are landless labourers or small-scale marginal farmers. An increasing proportion of them are women, as men move to non-farm jobs. In the past decades, most developing countries have neglected investment in agricultural infrastructure, crop research and extension systems, while the environment has degraded. Smallholders and especially women face substantial constraints in accessing land, credit, inputs, technology, information and marketing services.

30. Escaping the low productivity trap requires a range of measures, including investing in research, irrigation, roads and extension systems and instituting innovative ways of enhancing small farmer access to land as well as sustainable technologies and production methods in view of the contribution of agriculture to carbon emissions. New institutional mechanisms, such as group approaches to crop planning, service and input delivery and marketing, could make a major contribution in facilitating access, particularly by women.

5. Responsible transformations: climate change and its implications

31. In today's global context, the technological transformation to a greener and cleaner economy should percolate through decisions about structural transformation and job creation. Structural change needs to be consistent with a reorientation of innovations in all sectors towards technologies that rely on clean energy and adapt to climate change, supported by technology transfer. Investment in these technologies and related industries can also contribute to employment generation. Policies providing vocational retraining and employment services for workers in carbon-intensive industries will also be necessary to minimize costs associated with the transition to production systems and/or activities that are environmentally sustainable. Technological development, however, is highly concentrated in developed countries, which thus must be ready to support the developing economies through improved technology transfer, assistance in enhancing technological capabilities and financial resources. A low-carbon industrial policy requires global coordination and improved cooperation.

E. Public employment programmes

32. Governments often need to undertake direct interventions targeted to particular social groups or geographical areas to increase employment. Public employment programmes have recently attracted particular attention since the current economic crisis has led Governments to take a larger role in direct employment generation. Approaches to public programmes fall into two distinct categories: public works programmes and employment guarantee programmes.

33. Public works programmes are often considered important for the protection of the most vulnerable people against economic shocks. The majority of such programmes offer temporary jobs and are designed to contribute to the recovery of domestic demand and as a way of providing some people with a form of unemployment insurance. The Government often uses them as an opportunity to improve socio-economic infrastructure and to ease the socially regressive impact of crises.

34. Employment guarantee programmes are still rare. They are longer-term schemes designed to protect workers against seasonal and other fluctuations in employment and to provide households with a minimum income. The most well-known example is the Mahatma Gandhi National Rural Employment Guarantee Act, adopted in India in 2005. Its twin objectives are to provide employment and income and to contribute to rural development. The scheme in principle provides a maximum of 100 workdays a year of guaranteed employment to every household at a minimum wage rate. It provides insurance for rural workers against unemployment or lower earning opportunities during the agricultural off season. It is also recognized to have benefited women especially and enhanced their independence.

35. Some of those schemes have been criticized, however, in particular for failing to provide for the acquisition of new skills and being often associated with low-productivity activities. Nonetheless, the schemes undoubtedly make a contribution to the employment and income of poor people.

F. Role of international cooperation

36. International cooperation and coordination among countries are required for both macroeconomic and proactive structural transformation policies. The current turmoil in global financial markets makes countercyclical policies difficult to implement without international coordination, while persistence with austerity measures will further depress output and employment growth. The sovereign debt crisis in Europe and the weak recovery of the world economy have demonstrated the need for stronger international coordination to support a financial safety net and the need for adjustments to promote growth. Yet finding ways to coordinate policy among major economies in a credible and effective manner remains a challenge. International coordination should involve deeper reforms of international and domestic countercyclical and pro-development financial regulation and better international pooling of reserves. Moreover, reforms in mechanisms of compensatory finance are necessary to provide sufficient and timely financing for developing countries experiencing the impact of external shocks and natural disasters. This will contribute to reducing the resulting volatility in aggregate demand, which discourages investment and undermines employment creation (see E/2009/33, chap. III).

37. Enhanced international cooperation is also required to support structural change in developing countries, particularly in view of the challenges being posed by climate change and the need to control global warming. In addition, increasing productivity in agriculture and ensuring food security rest on the development of crops and methods that take the implications of climate change into account. Global cooperation in research and technology transfer is needed. Finally, a globally responsible environment for productive employment creation must include coherent global and regional frameworks to address the international mobility of labour.[1]

[1] See E/2011/33, chap. V, and José Antonio Alonso, "International migration and development: a review in light of the crisis", CDP Background Paper No. 11, December 2011 (ST/ESA/2011/CDP/11).

Chapter III
Beyond 2015: time for a transformative development agenda

A. Introduction

38. The Millennium Declaration embodied a global consensus for a more inclusive process of globalization and development around principles of solidarity, equality, dignity and respect for the environment. The Millennium Development Goals have been instrumental in drawing attention to development and poverty as global priorities. After 2015, it is important that the world continue to show commitment to the consensus embodied in the Millennium Declaration. At the same time, the interlinked crises that emerged towards the end of the past decade have shown the need for a transformative framework if the principles of the Declaration are to be realized. A broader, more nuanced and context-specific vision of development is required.

39. In charting a course for a post-2015 development agenda, it is critical to consider a number of challenges.

40. First, much progress has been made in reducing global poverty, but the achievement has been uneven across regions and disappointingly slow in many countries. For example, world poverty decreased from 1.8 billion in 1990 to 1.3 billion in 2008, yet much of that progress took place in a small number of countries, especially in Asia. At the same time, there was slower improvement in reducing hunger. Looking forward, predicted demographic changes and high rates of urbanization will strongly influence food availability and nutritior levels.

41. Second, income growth has been accompanied by rising inequality between, and, often also within, countries. Acute gender disparities have persisted in all regions.

42. Third, the prevailing growth model and its associated production technologies and consumption patterns are unsustainable. Forests are disappearing, groundwater sources are being depleted and enormous reductions in biodiversity have already taken place, while about 30 billion tons of carbon dioxide are being emitted every year. Environmental degradation and climate change are jeopardizing current and future livelihoods.

43. Fourth, threats to human security are posed by the emergence of multiple crises, including in financial markets, the global economy, food production, energy security and the environment. Those crises are interlinked in a variety of ways and have highlighted the inadequacy of many of the prevailing policies and institutions.

44. Business as usual would lead to a continued rise in inequality and threaten sustainability and ultimately a reversal of development progress. Besides encompassing appropriate goals and targets, along the broad pattern of the Millennium Development Goals, the new development framework must embody strategies designed to produce transformative change and assist in achieving the new goals.

B. Principles for a transformative development agenda

45. The new development framework should emphasize participatory processes in its formulation and execution and embody the core principles articulated in the Millennium Declaration. Agreement on principles is required at a global level; their translation into specific goals should emerge from participatory processes at the global and national levels.

46. First, the core principles should reflect a multidimensional and human-centred approach to development. Development needs to enhance people's capabilities and freedoms in all spheres and advance equality and social justice for all. While specific global and national goals will emerge from the consultative process, it is likely that they will cover the areas of income poverty, nutrition, health, education, decent work, cultural diversity and civil and political rights. Other areas for which goals need to be considered are set out below.

47. Second, sustainability is fundamental. This requires that environmental considerations, notably climate change and biodiversity, be given particular attention, and that the structural transformation envisaged integrates those dimensions. To achieve this, concrete goals and measurable targets are needed.

48. Third, the objective of social justice involving increased equality should be an overarching consideration and be addressed through explicit goals on reducing disparities across nations, genders and social groups.

49. Fourth, the need for enhanced human security should be addressed. There is a need to minimize threats posed by economic shocks, violence, armed conflicts, natural disasters, health hazards and seasonal hunger. Risk management systems need to be enhanced at the national and international levels. In this regard, goals should be identified to address specific vulnerabilities through national economic and social policies supported by enhanced international cooperation.

50. In addition to establishing new goals and targets in accord with the core principles through processes that are highly participatory at all levels, stronger accountability mechanisms may be needed. National commissions should work out the implications of nationally developed local goals for policy. They would also subsequently monitor implementation and ensure attention to particular national contexts and configurations of inequality that constrain participation and prevent people and societies from realizing their full development potential. The commissions should report both to their own Governments and peoples and to international coordinating institutions.

51. There are some synergies among the goals, but it is recognized that in many cases it is necessary to identify and address potential trade-offs in relation to specific goals. For example, harmonizing long-term development goals, as embodied in the principle of sustainability, and short-term performance, in relation to growth and social objectives, presents a challenge, raising issues of intergenerational equity. Priority will need to be given to identifying innovative technologies, patterns of production and consumption and policies in order to minimize such trade-offs.

52. Finally, it is essential to provide space for the alternative development strategies that prioritize core global principles referred to herein, while responding effectively to the specifics of diverse regional and national conditions. New policy

frameworks are needed to promote growth with equity, sustainability and security and address the multiple global crises that have arisen in recent years.

53. The Millennium Development Goals created a consensus on important ends but did not foster new thinking, for instance about macroeconomic strategies to replace the Washington Consensus frameworks. Nor did it address the conditions required to achieve the targets.

C. Key elements of transformative development

54. The achievement of the Millennium Development Goals is seriously threatened by a global crisis for which the current paradigm offers no response. A coherent development model is thus required to ensure the achievement of a broad set of human objectives while at the same time responding to the challenges that have been afflicting the world economy, namely, the need for increased food security, financial stability, reduced inequality and environmental sustainability. Coherence can result only if the model addresses those issues in a comprehensive manner by simultaneously addressing the macroeconomic, productive, social and environmental dimensions.

55. The first key step in generating appropriate development strategies to support the principles discussed above is to identify development drivers that will simultaneously ensure economic growth, structural transformation, social development, human security and environmental sustainability in ways that respond to countries' specific characteristics. For example, prioritizing agricultural productivity would be appropriate in some contexts, while reducing the volatility of production and prices would have a higher priority in others, and promoting labour-intensive industrialization would be a priority for yet other countries. Industrial policies that ensure output growth and employment creation (see chap. II), along with social protection, should generally be given priority. Tax reform, well-allocated public expenditure and regional policies supported by good governance will also be needed to promote growth and reduce inequality in most economies.

56. The policies emanating from the new development frameworks will have to lower carbon emissions. The link between growth and increases in carbon emissions should be weakened, and in the longer run eliminated, by pricritizing sectors, technologies and processes of production that use less carbon. Patterns of consumption will need to be adjusted accordingly.

57. As argued in section II.B, on employment, proactive industrial and labour policies are also necessary. While pursuing proactive macroeconomic and industrial policies, a few countries have demonstrated that a sound and stable macroeconomic environment is compatible with structural transformation and increased productivity. These approaches are also consistent with reducing inequality when combined with progressive taxation, expanding access to education at every level to deprived sections of the population and enhancing social protection. Improvements in the quality of education and training are needed to upgrade skills and enlarge the pool of skilled labour.

58. Key to structural transformation and employment generation is the growth of small and medium-sized enterprises. There is an urgent need for adequate finance and capacity-building for these enterprises and their entrepreneurs.

59. Aid dependence needs to be limited and the mobilization of domestic savings enhanced. Exchange rate regimes should be designed to encourage competitiveness and reduce vulnerability to external shocks. Regulating financial flows through relevant monetary and fiscal policies and channelling them to appropriate sectors are also important elements for sustainable and stable growth.

60. Social policies are critical, as economic growth and human development are mutually reinforcing. Accordingly, social policies should be conceived as a main instrument that works in tandem with economic policy. Thus, universal coverage of basic services needs to be pursued, while targeting could be used to address specific conditions. Moreover, the effectiveness of social policies needs to be enhanced, including through the introduction of specific interventions directed at marginalized groups and the protection of the vulnerable from the adverse effects of external shocks.

61. Success of alternative development strategies depends also on an enabling international environment. A pro-development multilateral framework in the areas of finance, trade, international labour movements, climate change and technology transfer is essential. The framework should be supported by a stronger and more democratic international governance structure and by legislation covering additional issues not currently being addressed. For instance, international labour migration, a powerful force of social change with significant — mostly positive — effects on the development process, lacks a coherent international framework.

62. Effective international governance would require better coordination among — and improved representation at — the international institutions and rule-setting bodies, which should embrace a development orientation that explicitly facilitates support for research, innovation and technology transfer and that is appropriate to support sustainable and equitable development strategies. Regional cooperation can play an important role in the development and transfer of technology in relation to the provision of infrastructure, such as electricity and transport, and the preservation of biodiversity. This will be particularly critical for sub-Saharan African countries, landlocked countries in general and small island developing States.

63. The architecture of international finance for development has changed. South-South cooperation has increased; private funding sources have gained importance relative to public funding, and a wide range of proposals for innovative sources of financing have been put forward. In fact, the volume of aid still falls well short of donor commitments and is far from what is necessary to eliminate poverty or achieve sustainable and equitable growth. At the same time, there are concerns about the sustainability of current aid flows owing to the recent global economic crisis.

64. In view of these challenges and changes, there is a need to reconsider the desired characteristics of global partnerships. Activities that were formerly the exclusive responsibility of nation States must now be tackled in a context of increasing international coordination involving a wide range of stakeholders.

65. Accordingly, in the area of development cooperation post-2015, there is a need: (a) to provide adequate policy space for addressing multidimensional well-being and correcting international and national inequalities; (b) to develop a coherent framework for international labour mobility; (c) to ensure adequate finance for the provision of the global public goods that are needed to support sustainable

and secure development achievements; (d) to develop new financial instruments that are necessary to provide the required resources for such development; and (e) to enhance coordination among donors, recipient countries and private actors, and also between traditional aid instruments and new financing sources, in alignment with national development strategies.

D. Advocacy, monitoring and follow-up

66. The Millennium Development Goals have been a powerful tool for galvanizing public opinion around a critical and globally agreed objective. Drawing on this experience, similar strong advocacy should continue in the post-2015 context. Global and regional advocacy and monitoring should continue to be coordinated under the leadership of the United Nations. At the same time, countries should develop and own their national targets and strategies for achieving the central objectives, with adequate support from development partners.

67. The current monitoring and assessment framework, however, needs to be improved. In the Millennium Development Goal framework, the methodology for assessing performance at the country level focuses on the level of achievement relative to the target, which makes it very difficult for countries with low starting points to meet the targets. For example, many countries in sub-Saharan Africa are considered to be off track, while they have actually made the most significant progress relative to the starting points. Performance assessments should be based on the pace of progress instead of being focused only on the level of achievement relative to a given target. It is crucial to take further measures to improve statistical capacity in developing countries, particularly in low-income countries.

68. Monitoring should go beyond a mechanistic review of progress against the numeric targets and include qualitative assessments. Development objectives are complex to capture: issues of participation, empowerment, equity and security are not fully measurable.

E. Conclusions

69. While new challenges have emerged, the core principles articulated in the Millennium Declaration remain valid in today's world and should be pursued. Those principles include the expansion of people's freedoms in a sustainable, equitable and secure way. Moreover, the formulation and implementation of the global development agenda will succeed only with inclusive participation. Finally, to be truly global and to reflect a shared vision and commitment, the development framework should be applicable to all countries — developing and developed.

70. In pursuing these essential principles, appropriate development strategies need to be identified. The strategies should include key elements and actions that support equitable and sustainable development and are sensitive to country-specific contexts. The alternative policy options summarized herein are intended to help national Governments debate and formulate their own policies. These options need to be further researched, refined and debated.

Chapter IV
2012 triennial review of the list of least developed countries

A. Introduction

71. The identification of least developed countries — defined as low-income countries suffering from severe structural impediments to sustainable development — is based on three criteria: (a) per capita gross national income (GNI), as an indicator of income-generating capacity; (b) the human assets index (HAI), as an indicator of the stock of human assets; and (c) the economic vulnerability index (EVI), as an indicator of structural vulnerability to exogenous shocks.

72. Graduation from least developed country status occurs according to procedures specified in General Assembly resolution 59/209 and the guidelines adopted by the Committee for Development Policy in 2007 and 2008 and endorsed by the Economic and Social Council.

73. For a country to be included in the category, all three identification criteria have to be satisfied at specific threshold values. Eligibility for graduation requires a country to meet two, rather than only one, of the three criteria, while thresholds for graduation are established at levels higher than those for inclusion.

74. The Committee established, in 2005, that a sustainable high level of GNI per capita — at least twice the graduation threshold — is sufficient to make a country eligible for graduation, even if it does not meet the threshold for either of the other two criteria.

75. The criteria for inclusion in the list of least developed countries were reviewed and modified slightly in 2011. In preparation for the work of the Committee, a preliminary review of the least developed countries was conducted by a Group of Experts in January 2012.

B. 2012 thresholds for identification of the least developed countries

76. In 2012, countries to which the criteria were applied (60 countries, as listed in the table below) comprise all of the least developed countries (independent of their income status) and the other developing countries whose per capita income in any of the three years used to determine average incomes (i.e. 2008-2010) was less than 20 per cent above the low-income threshold determined by the World Bank.

Criteria for identification of the least developed countries

	GNI per capita (2008-2010 average)			*HAI*			*EVI*	
L	Burundi	153	L	Somalia	1.4	L	Kiribati	82.0
L	Dem. Rep. of the Congo	170	L	Chad	18.1	L	Gambia	67.8
L	Liberia	190	L	Burundi	20.8	L	Tuvalu	63.9
L	Somalia	201	L	Central African Republic	21.6	L	Liberia	61.0
L	Eritrea	293	L	Dem. Rep. of the Congo	21.7	L	Guinea-Bissau	60.5
L	Malawi	307	L	Afghanistan	22.5	L	Eritrea	59.0
L	Sierra Leone	333	L	Niger	24.3	L	Burundi	57.2
L	Ethiopia	343	L	Sierra Leone	24.8	L	Solomon Islands	55.2
L	Niger	347	L	Ethiopia	28.2	L	Timor-Leste	53.3
L	Afghanistan	357	L	Burkina Faso	29.2	L	Zambia	53.0
L	Guinea	377	L	Mali	30.2	L	Chad	52.8
	Zimbabwe	383	L	Mozambique	30.7	L	Malawi	51.9
L	Madagascar	417	L	Angola	31.6	L	Angola	51.3
L	Mozambique	420	L	Guinea-Bissau	34.2	L	Samoa	51.1
L	Nepal	420	L	Haiti	35.6	L	Cambodia	50.5
L	Gambia	433	L	Eritrea	35.6	L	Somalia	50.1
L	Central African Republic	447	L	Guinea	36.8	L	Comoros	49.9
L	Togo	460	L	Zambia	36.9	L	Sierra Leone	48.5
L	Uganda	463	L	Liberia	38.5		Dem. People's Rep.Korea	47.7
L	Rwanda	477	L	United Rep. of Tanzania	40.1	L	Haiti	47.3
L	United Rep. of Tanzania	497	L	Benin	41.1	L	Rwanda	47.3
L	Burkina Faso	507	L	Rwanda	42.2	L	Vanuatu	46.8
	Dem. People's Rep.Korea	517	L	Djibouti	42.4	L	Djibouti	46.3
L	Guinea-Bissau	547	L	Equatorial Guinea	43.0	L	Sao Tome and Principe	46.1
L	Mali	563		Côte d'Ivoire	43.8	L	Lesotho	45.9
L	Chad	593	L	Malawi	44.1	L	Myanmar	45.0
L	Bangladesh	637	L	Comoros	45.3		Zimbabwe	44.9
L	Haiti	645	L	Togo	45.5	L	Sudan	44.4
L	Myanmar	704		Cameroon	45.5	L	Mozambique	44.4
L	Cambodia	707	L	Uganda	45.8	L	Bhutan	44.2
L	Comoros	727		Pakistan	45.9	L	Mauritania	44.2
L	Benin	763	L	Senegal	47.0	L	Equatorial Guinea	43.7
	Kenya	767	L	Mauritania	47.1	L	Afghanistan	38.8
L	Lao People's Dem. Rep	913	L	Timor-Leste	48.1	L	Niger	38.6
L	Mauritania	987		Nigeria	48.9		Nigeria	38.6
	Pakistan	993	L	Gambia	49.2	L	Yemen	38.5
L	Zambia	1,010	L	Yemen	52.3		Papua New Guinea	38.3
L	Solomon Islands	1,013	L	Madagascar	52.5	L	Madagascar	38.0
L	Yemen	1,020	L	Sudan	52.6	L	Burkina Faso	37.5
	Viet Nam	1,037		Papua New Guinea	53.9	L	Lao People's Dem. Rep.	37.1
L	Lesotho	1,050	L	Bangladesh	54.7	L	Mali	36.8
L	Senegal	1,063		Zimbabwe	57.7	L	Uganda	36.2
	Nicaragua	1,073	L	Cambodia	57.9	L	Benin	36.2
L	Sao Tome and Principe	1,113	L	Bhutan	59.0	L	Senegal	36.1
	Côte d'Ivoire	1,130		Kenya	59.1	L	Central African Republic	35.7
	Nigeria	1,180	L	Nepal	59.8	L	Dem. Rep. of the Congo	35.4
	Cameroon	1,183		India	61.2	L	Togo	35.4
	Ghana	1,190	L	Lao People's Dem. Rep.	61.4	L	Ethiopia	33.5
	Papua New Guinea	1,197	L	Lesotho	62.1	L	Bangladesh	32.4
	India	1,210	L	Solomon Islands	65.1		Nicaragua	32.0
L	Sudan	1,213	L	Myanmar	68.8		Viet Nam	30.9
L	Djibouti	1,235		Ghana	70.1	L	United Rep. of Tanzania	28.7
L	Bhutan	1,700	L	São Tomé and Principe	74.9		Ghana	28.6
L	Kiribati	1,937		Nicaragua	76.0	L	Guinea	28.6
L	Timor-Leste	2,233	L	Vanuatu	77.7	L	Nepal	27.8
L	Vanuatu	2,540		Dem. People's Rep.Korea	83.1		Kenya	26.6
L	Samoa	2,880		Viet Nam	86.4		Cameroon	23.4
L	Angola	3,747	L	Kiribati	86.9		Pakistan	22.0
L	Tuvalu	4,993	L	Tuvalu	88.1		India	21.4
L	Equatorial Guinea	15,090	L	Samoa	92.8		Côte d'Ivoire	20.9
G	Cape Verde	3,110		Cape Verde	86.8		Cape Verde	35.2
G	Maldives	5,473		Maldives	91.7		Maldives	55.2

Notes: The thresholds for inclusion in the least developed country category are: GNI per capita of $992 or less, HAI of 60 or less and EVI of 36 or more. All three criteria must be met. The thresholds for graduation from the least developed country category are: GNI per capita of $1,190 or more, HAI of 66 or more and EVI of 32 or less. Two of the three criteria must be met. A country also qualifies for graduation if its GNI per capita is $2,380 or more, independent of its HAI and EVI scores.

Abbreviations: G, graduated country; L, least developed country.

1. Gross national income per capita

77. GNI per capita is measured as a three-year average (2008-2010), using the World Bank's Atlas method to convert national currencies into United States dollars. The threshold for inclusion in the present review is a GNI per capita of $992, the three-year average of the World Bank's low-income thresholds. As in the past, the graduation threshold was established at 20 per cent above the threshold for inclusion, corresponding to $1,190.

2. Human assets index

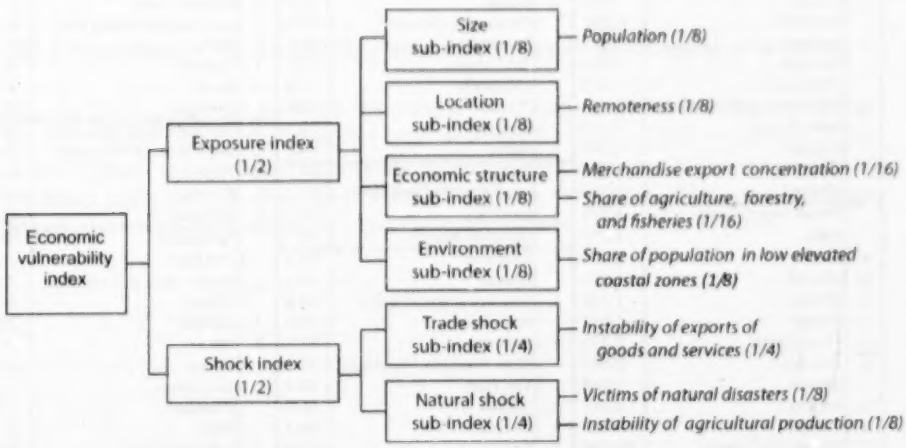
78. The human assets index reflects the following dimensions of the state of human development: (a) health and nutrition, measured by the percentage of the population that is undernourished and the under-5 mortality rate; and (b) education, measured by the gross secondary school enrolment ratio and the adult literacy rate.

79. The HAI threshold for inclusion is determined by the index number corresponding to the third quartile in the ranking of the 60 countries, but adjusted in case the HAI scores are very close to each other and rounded to whole numbers. As in the past, the threshold for graduation was established at 10 per cent above the inclusion threshold. Thus, the threshold for inclusion in the list of least developed countries at the 2012 triennial review is an HAI value of 60, while the threshold for graduation is 66.

3. Economic vulnerability index

80. The economic vulnerability index reflects the risk posed to a country's sustainable development by exogenous shocks. The EVI is constructed as a composite index containing eight indicators, as set out in the following figure:

Economic vulnerability index


Economic vulnerability index
Exposure index (1/2)
Shock index (1/2)
Size sub-index (1/8)
Location sub-index (1/8)
Economic structure sub-index (1/8)
Environment sub-index (1/8)
Trade shock sub-index (1/4)
Natural shock sub-index (1/4)
Population (1/8)
Remoteness (1/8)
Merchandise export concentration (1/16)
Share of agriculture, forestry, and fisheries (1/16)
Share of population in low elevated coastal zones (1/8)
Instability of exports of goods and services (1/4)
Victims of natural disasters (1/8)
Instability of agricultural production (1/8)

Note: Figures in parentheses indicate the weight of a particular component or index in the EVI.

81. The thresholds are established in the same manner as for the HAI, but in this case it should be noted that larger EVI scores indicate a more severe impediment to sustainable development. The threshold for inclusion in the 2012 triennial review is 36, while the threshold for graduation is 32.

C. Eligibility for inclusion and graduation

1. Countries considered for inclusion

82. The Group of Experts identified one country within the reference group — Zimbabwe — that met all three criteria for inclusion in the list of least developed countries.

83. After being notified of the findings, the country informed the secretariat of the Committee of its wish not to be considered for inclusion in the list of least developed countries (as it did after the 2006 and 2009 reviews). The Committee took note of this position.

84. The Group of Experts further identified South Sudan, which became a State Member of the United Nations on 14 July 2011, as eligible for inclusion. International comparable data used for the least developed country criteria are not yet fully available in the case of South Sudan. However, on the basis of the best information available from international and national sources, South Sudan meets the three criteria for inclusion in the list.

85. At the time of writing, South Sudan had not yet expressed its views on this finding. The Committee endorsed the eligibility finding and recommended that the country be included in the list of least developed countries, subject to its agreement to such recommendation.

2. Countries considered for graduation

86. Tuvalu and Vanuatu had been found eligible for graduation in both 2006 and 2009. In 2009 the Committee did not, however, recommend those countries for graduation, as it questioned the sustainability of their development progress, but decided to consider them again in 2012. The Group of Experts examined the ex ante impact assessments prepared by the Department of Economic and Social Affairs and vulnerability profiles prepared by UNCTAD on the two countries and heard oral statements by delegations from both.

87. The Committee reviewed the report of the Group of Experts as well as the aforementioned reports by the Department of Economic and Social Affairs and UNCTAD and the written statement received from Tuvalu.

Vanuatu

88. The data show that Vanuatu continues to meet two of the three graduation criteria (GNI and HAI), while remaining a vulnerable country according to the EVI. Vanuatu is also eligible for graduation under the "income only" criterion, as its GNI per capita continued to exhibit a positive trend and has now exceeded twice the graduation threshold.

89. The Committee recommended Vanuatu for graduation from the least developed country category. The development progress of Vanuatu, including the broadening

of its productive capacities, affirms the sustainability of its improvements in the absence of major negative external shocks. The Government's recognition of the need to continue to confront existing and emerging challenges should facilitate the preparation and implementation of a transition strategy. Smooth transition mechanisms should address, among other things, the impact of the eventual loss of trade preferences as well as how to ensure appropriate access to funds and programmes aimed at reducing the country's vulnerability to natural disasters.

Tuvalu

90. Tuvalu continues to meet the HAI and GNI per capita thresholds for graduation. It also meets the "income only" threshold (i.e. more than twice the GNI per capita graduation threshold). Tuvalu, however, is one of the most vulnerable countries in the world according to the EVI.

91. Although its productive base remains limited, Tuvalu has experienced positive and satisfactory growth in both GNI and GDP over the past 15 years. The Committee noted that GNI was considerably higher than GDP, but even the GDP per capita figure was still far higher than the GNI per capita threshold used for graduation.

92. Tuvalu depends on a small set of income sources (such as fishing licences, remittances, revenues from leasing its Internet domain name, ".tv", and proceeds from a trust fund) as well as on official bilateral grants for budget financing. Its income sources are unlikely to be affected by graduation.

93. After careful consideration, including examining the concerns expressed by the Tuvalu authorities, the Committee recommended Tuvalu for graduation. The Committee noted that Tuvalu had met the graduation criteria over the past three reviews, and by an increasingly wide margin. The Committee stressed the necessity of abiding by the long-standing principle of equal treatment over time and across countries.

94. In making that recommendation, the Committee noted the special characteristics of Tuvalu as compared to other least developed countries, including the very small population, which imply particular challenges. The Committee recommended further that development partners maintain their financial support after the country graduates to ensure that it will be able to cope with those challenges. In particular, there is a need to support the country in its efforts to adapt to the implications of climate change and to ensure that Tuvalu has access to technical assistance and concessional finance to confront the climate change challenge. The Committee was encouraged to note that several bilateral donors had indicated to the Department of Economic and Social Affairs that they would continue to extend support to Tuvalu independently of its least developed country status.

Other countries

95. Angola was found to be eligible for graduation for the first time, as it met the "income only" criterion. The Committee also found Kiribati eligible, as it met the GNI per capita and HAI criteria. Kiribati had already been found eligible for graduation in 2006, but not in 2009. Those countries will be duly notified and considered for graduation at the next triennial review, in 2015. The Committee requests that vulnerability profiles and impact assessments be prepared for that review.

D. Monitoring the development progress of graduating countries

96. The Economic and Social Council, in its resolution 2011/20, requested the Committee for Development Policy to monitor the development progress of countries graduating from the least developed country category. Currently, Samoa is the only least developed country earmarked for graduation by the General Assembly. The present report also includes Equatorial Guinea, which was recommended for graduation by the Committee in 2009. That recommendation was endorsed by the Council in July 2009, but has yet to be acted upon by the Assembly.

97. Samoa continues to make progress in all three criteria. Its GNI per capita has increased since the 2009 review, and the rebuilding of the economy after the negative shocks of the global economic and financial crisis and the 2009 tsunami appears to be well under way. Its HAI, already the highest among the countries in the reference group (see table above), has further increased. At the same time, the country's EVI score — although it has improved — indicates a high level of vulnerability. With graduation approaching (1 January 2014), the country may wish to continue to prepare, in collaboration with its partners, its transition strategy.

98. Equatorial Guinea was recommended for graduation in 2009 in accordance with the "income only" rule, as its GNI per capita was several times above the income graduation threshold. Its GNI per capita is now 12 times the graduation threshold, and the World Bank classifies Equatorial Guinea as a high-income country. The country's per capita income is likely to be maintained at a very high level owing to high oil prices. Some components of the HAI also suggest a slow but steady improvement in social indicators.

99. The Committee noted with concern that the General Assembly had not yet taken action on the graduation of Equatorial Guinea, despite repeated calls by the Economic and Social Council to do so. This prolonged inaction is prejudicial to the credibility of the least developed country category as a whole.

E. Monitoring graduated countries: Cape Verde and Maldives

100. In its resolutions 59/209 and 65/286, the General Assembly requested the Committee to continue to monitor the development progress of countries that have graduated from least developed country status. The main purpose of the monitoring is to assess any signs of deterioration in the development progress of the country under consideration and bring it to the attention of the Economic and Social Council. Accordingly, the Committee reviewed progress made by Cape Verde and Maldives.

101. Cape Verde, which graduated in 2007, shows no signs of a reversal of its development progress. Both its GNI and GDP continue to grow steadily, and the HAI shows further progress. The economic vulnerability of Cape Verde, as measured by the EVI, has been reduced remarkably, but remains high.

102. The smooth transition of Cape Verde was supported by a transition strategy devised by the Government in cooperation with a donor support group. Even though some donors reduced support, overall ODA actually increased since graduation. This support proved important in offsetting the negative impact of the global economic

and financial crisis on the country's tourism sector, foreign direct investment and remittances.

103. Maldives graduated in 2011 and exhibits a level of GNI per capita far above the graduation thresholds. It also enjoys one of the highest HAI scores among developing countries. The EVI, on the other hand, remains high, and climate change may further aggravate the country's vulnerability. The country has been very active in engaging the international community to extend support during its transition from the least developed country category.

Chapter V

Strengthening provisions for a smooth transition from the least developed country category

A. Introduction

104. The Committee recalled that the General Assembly, in its resolution 59/209, had provided guidelines on preparing least developed countries and their development and trading partners for graduation and for the smooth transition from the category.

105. While the procedures set out in the resolution have been a welcome and much-needed development, they seem not to have been sufficient to assuage the concerns of graduating countries. The Committee reviewed how the existing mechanisms could be further strengthened and better monitored. In its analysis, the Committee benefited from a document on strengthening smooth transition prepared by its secretariat.[2]

106. The recommendations of the Committee in this regard are set out below.

B. Strengthening the process of smooth transition

107. In the view of the Committee, there is a need to further strengthen the current procedures of the transition process so as to alleviate the concerns of graduating countries and avoid disruptions and reversals in the progress achieved by them. The Committee presented the following considerations regarding improvement of the process:

(a) All least developed countries should be invited to develop a strategy for exiting from the category as part of their national development strategy, which would facilitate the development of a transition strategy upon graduation;

(b) Graduating countries should implement the smooth transition strategy as part of their overall development strategy, as incorporated in such documents as the poverty reduction strategy papers and the action matrix of the Diagnostic Trade Integration Studies under the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries;

(c) Any consultative mechanism established in the context of the transition strategy should be integrated with other regular consultative processes between the country and its development partners and closely linked to a budget support group, where applicable. It should not constitute a layer distinct from other mechanisms. All relevant development and trading partners should be involved in the consultative mechanism;

(d) A central source of information cataloguing all least developed country-specific international support measures, their utilization and related transition measures should facilitate the process of developing a smooth transition strategy. For this purpose, the centralized source of information made available through the

[2] "Strengthening smooth transition from the least developed country category", CDP background paper No. 14, February 2012 (ST/ESA/2012/CDP/14).

Department of Economic and Social Affairs least developed country information portal[3] should be maintained;

(e) Concrete actions should be identified for the transition strategy. To this end, a template should be developed to gather information on the current least developed country-specific international support measures provided and partners' available plans for maintaining, extending or phasing out support;

(f) The United Nations system should offer support to countries in their preparation of transition strategies, including through the establishment of a graduation capacity-building programme to assist in the preparation of such strategies;

(g) Regular and concise reporting on the status of the preparation of the transition strategy and its implementation should be effected. This would enhance the Committee's process of monitoring graduating countries, allow it to add the country's views to its report to the Economic and Social Council and highlight areas, if any, where implementation could be strengthened.

C. Phasing out existing support measures and introducing mechanisms of support for smooth transition

108. Currently, many least developed country-specific international support measures do not have smooth transition procedures in place. It is important: (a) to have clear indications prior to graduation regarding any measures that are earmarked for being phased out so that graduating countries will know what to expect; and (b) to consider additional measures beyond the phasing out of existing support measures. To this end, the Committee proposed the following:

(a) In line with General Assembly resolution 59/209, least developed country-specific preferential market access arrangements should be extended or phased over a number of years to enable graduated countries to adjust to the new conditions. Trading partners lacking established procedures should be encouraged to extend their least developed country-specific preferences. Moreover, development and trading partners should consider providing technical assistance to facilitate any phasing out of preferential market access;

(b) Least developed country-specific special and differential treatment in the World Trade Organization (WTO) covers a wide range of provisions. Currently, there are no established procedures for phasing out or extending those provisions, which could constitute uncertainties for countries leaving the category. Members of WTO should be encouraged to adopt formal procedures and time frames for phasing out least developed country-specific special and differential treatments;

(c) In line with resolution 59/209, development partners should support the implementation of the transition strategy and avoid any abrupt reductions in the official development assistance they provide to the graduated country. If reductions are necessary, they should be made in a gradual and predictable way;

[3] www.un.org/ldcportal.

(d) In their allocation of aid, donors should consider the criteria used for the identification of least developed countries, in particular those related to economic vulnerability;

(e) Some multilateral organizations, including the United Nations, apply to their budget a cap on contributions to least developed countries. Those organizations should adopt formal procedures for extending or gradually phasing out the cap;

(f) The United Nations provides financial support for the participation of least developed countries in the regular and special sessions of the General Assembly. Such travel-related benefits may be provided up to a period of three years after graduation. The participation of least developed countries in meetings is also facilitated by other United Nations entities. They should be encouraged to extend travel support to graduated countries over a number of years;

(g) Three main funds are targeted exclusively to least developed countries: the United Nations Capital Development Fund, the Least Developed Countries Fund under the United Nations Framework Convention on Climate Change and the Enhanced Integrated Framework. In its resolution 59/209, the General Assembly recommended the continued implementation of the Enhanced Integrated Framework for graduated countries over a period appropriate to the development situation of the country. A similar recommendation could be made for the other two funds, neither of which has yet adopted smooth transition measures in support of countries that have graduated from the least developed country category;

(h) To relieve the concerns of graduating least developed countries and to address the high vulnerability of many of them, insurance mechanisms against catastrophic environment-related events or other adverse and temporary external shocks leading to a significant loss of income in graduated countries could be established. Where needed, this should be facilitated or subsidized by development partners through aid or international taxation systems.[4]

[4] See "Strengthening international support measures for the least developed countries", Committee for Development Policy Policy Note, August 2010.

Chapter VI
Future work of the Committee for Development Policy

109. The Committee for Development Policy will continue to align its work programme to the needs and priorities established by the Council with a view to contributing effectively to the Council's deliberations and assisting it in the performance of its functions.

110. For its forthcoming fifteenth session, the Committee will undertake work on the theme of the 2013 annual ministerial review, "Science, technology and innovation, and the potential of culture, for promoting sustainable development and achieving the Millennium Development Goals".

111. The Committee will provide its independent views and perspectives on how to further the full and effective implementation of the Barbados Plan of Action and the Mauritius Strategy and other provisions relating to the Small Island Developing States in accordance with Economic and Social Council resolution 2011/44.

112. The Committee will continue its work on the international development agenda beyond 2015 considering how to operationalize the principles that should underline the new strategy as indicated in chapter III of the present report. It will further consider how alternative development strategies should embody these principles in meeting development goals beyond 2015.

Chapter VII
Organization of the session

113. The Committee for Development Policy held its fourteenth session at United Nations Headquarters from 12 to 16 March 2012. Sixteen members of the Committee, as well as observers from several organizations within the United Nations system, attended the session. The list of participants is provided in annex I.

114. The Committee is saddened by the sudden death of one of its members, Professor Alice Amsden, on 14 March, and wishes to dedicate the present report to her memory.

115. The Department of Economic and Social Affairs of the United Nations Secretariat provided substantive services for the session. The Chair of the Committee opened the session and welcomed the participants. Subsequently, the Vice-President of the Economic and Social Council, Luis Alfonso de Alba, Permanent Representative of Mexico to the United Nations, addressed the Committee. He was followed by the Assistant-Secretary-General for Policy Coordination and Inter-Agency Affairs, Thomas Stelzer. Their statements are available from www.un.org/esa/policy/devplan.

116. The agenda for the fourteenth session is provided in annex II.

Annex I

List of participants

1. The following members of the Committee attended the session:

Bina Agarwal

José Antonio Alonso

Lourdes Arizpe

Kwesi Botchwey

Ricardo French-Davis

Sakiko Fukuda-Parr

Norman Girvan

Philippe Hein (*Rapporteur*)

Mulu Ketsela (*Vice-Chair*)

Amina Mama

Wahiduddin Mahmud

Patrick Plane

Victor Polterovich

Fatima Sadiqi

Frances Stewart (*Chair*)

Milica Uvalic

2. The following entities of the United Nations system were represented at the session:

Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

Economic Commission for Africa

World Intellectual Property Organization

United Nations Development Programme

United Nations Population Fund

World Trade Organization

United Nations Conference on Trade and Development

United Nations Industrial Development Organization

Annex II

Agenda

1. Inaugural session.
2. Adoption of the agenda and organization of work.
3. United Nations development agenda beyond 2015.
4. Triennial review of the list of least developed countries.
5. Strengthening smooth transition strategy provisions.
6. Employment and productive capacity for achieving the Millennium Development Goals.
7. Future work of the Committee for Development Policy.

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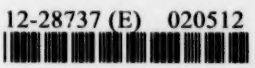

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